

# Global goods trade to contract 0.2% in 2025 on tariff war: WTO

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**THE GLOBAL MERCHANDISE** trade volume is expected to contract by 0.2% on year in 2025 as against the earlier projection of 2.7% expansion, due to the global tariff war triggered by the US, according to the World Trade Organization (WTO).

The predicted decline in trade takes into account the 90-day suspension of reciprocal tariffs by the US. If implemented, reciprocal tariffs would reduce world merchandise trade growth by an additional 0.6%, the multilateral trade body said.

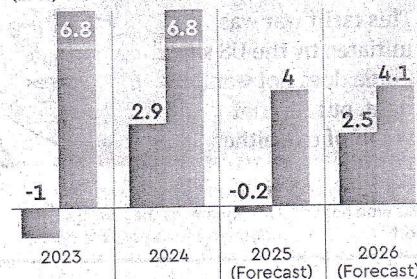
If the tariff situation escalates with retaliatory actions and more, the decline will be 1.5%, the body said in its Global Trade Outlook and Statistics Report. It, however, sees the recovery in volumes in 2026 with a growth of 2.5%. Services trade, though not directly subject to tariffs, is also expected to be adversely hit, with the global volume of commercial services trade now forecast to grow by 4% in 2025 and 4.1% in 2026 — well below baseline projections of 5.1% and 4.8%, respectively. Although the high tariffs are limited to goods, their effects are expected to ripple across the broader economy, including on services trade.

The recent downturn in trade prospects follows a strong performance in 2024, when the volume of world merchandise trade grew by 2.9% and commercial services

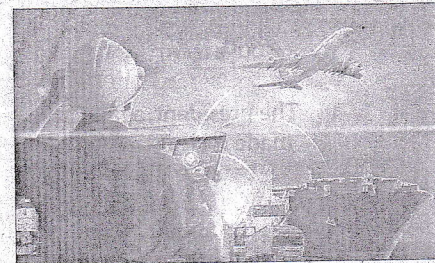
## MUTED OUTLOOK

World trade growth

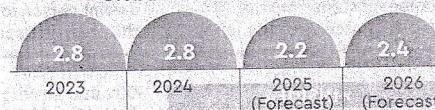
(in %) ■ Merchandise ■ Services



Source: WTO's Global Trade Outlook and Statistics Report



Global GDP at market rates (%)



trade expanded by 6.8%. In value terms, world merchandise exports increased by 2% to \$24.43 trillion. Commercial services exports rose by 9% to \$8.69 trillion.

The disruption in US-China trade is expected to trigger significant trade diversion, raising concerns among third markets about increased competition from China. Chinese merchandise exports are projected to rise by 4% to 9% across all regions outside North America, as trade is redirected.

The global tariff war would also shave off the world's economic output. WTO economists expect world GDP at market exchange rates to grow by 2.2% in 2025 — 0.6 percentage points below the no-tariff-

change baseline — before slightly recovering to 2.4% in 2026.

While the imposition of reciprocal tariffs would have a limited effect on the global figure, a widespread of trade policy uncertainty could nearly double the GDP loss to 1.3 percentage points relative to the baseline, the report said. Under the current policy landscape, North America is expected to see a 12.6% decline in exports and 9.6% drop in imports in 2025. The region's performance would subtract 1.7 percentage points from world merchandise trade growth in 2025, turning the overall figure negative. Asia is projected to post modest growth in both exports and imports this year (1.6% for both), along with Europe (1.0% export growth, 1.9% import growth).

## India to grow by 6.5% in 2025: UN report

India is expected to grow by 6.5% in 2025 on the back of continued robust public spending and ongoing monetary easing, even as the world economy is on a recessionary trajectory, driven by escalating trade tensions and persistent uncertainty, according to a UN report. The UN Trade and Development (UNCTAD) said that global growth is projected to slow to 2.3% in 2025, placing the world economy on a recessionary path. India is projected to grow by 6.5% in 2025, slightly lower than the 6.9% growth of 2024 but still maintaining its status as the fastest-growing major economy, it said.

(With agency inputs)